Around Calcutta Markets

Kettlewell-Bullen Episode and After

Wednesday, Morning

THE Kettlewell & Bullen episode has excited a lot of interest and the changes in the managing agency system and the transfers from British to Indian interests that have taken place in the past few years are now being discussed. Several months hack, there was a sharp rise in the quotation for Kettle well & Mullen to Rs 275 from under Rs 150. It was reported that a large block had changed hands together with the controlling interest. Before the full details were fully known, it was clear that Bangui's had struck the deal. This was obvious for the simple reason that they had already taken over Fort William from Kettlewell & Bullen and even earlier they had accumulated large parcels ot Fort Gloster and Dunbar, under the management of Kettlewell & Bullen. Later, it was reported that MacNeill & Barrys had sold their interest back to the directors of Kettlewell & Bullen and that the latter had in turn sold it to Bangurs at a sizable profit.

Permission for the transfer of the managing agency to Bangurs was sought from the Government and it was expected that such permission would he easily forthcoming. About three weeks back, however, it was stated in the market that the Central Government had refused permission, presumably on the ground that a large amount of foreign exchange was involved in repatriation.

As Bangurs have given ample proof of their ability to manage both going and new concerns on an efficient basis and they have a good reputation, the Government's refusal has come as a surprise. Alter Bangui's took over Belsund and Fort William, earnings have been very much higher while the record of Hastings has been very encouraging indeed. While on the side of Indian interests there is naturally some anxiety over the matter and difficulty in understanding the Government's attitude. British interests are asking whether the Government was right in refusing permission for the transfer- and subsequent repatriation of foreign capital contrary to repeated declarations about the provision of unrestricted facilities for the repatriation of profits and capital. How far developments in the coming weeks will bring about a change in the Government's attitude it is difficult to say at this stage but Bangurs are obviously determined to pursue their objective and there has been consistent buying of shares, particularly, of Fort Glosters and Dunbars. It may be that Bangurs are not interested in the managing agency as such, if they can get hold of the companies themselves, as in Fort William or Belsund.

it is necessary, however, to draw attention to one or two peculiai features of this deal. Only recently, McLeads have changed hands to the Soorajmull Nagarmull group. It has been suggested that, following this precedent. Bangurs also should have been allowed to have their wav. Though the logic is good upto a point, it is necessary to remember that the MeLeod deal diffeis from the Kettlewell Bullen deal in certain respects. In the MeLeod agency, then- are two groups, one Indian and the other British; the British section reported as having greater control over tea companies, (the former Begg Dunlops) and the Indian section over the jute companies, this section being the more important. Shri C L Kanoria had acquired the controlling interest prior to the changeover to Shri G L Bajoria. There was some opposition from the Peppercorn group because it was stated that Shri Kanoria had violated the agreement by not offering the sale of his block of shares to the existing interest before striking the bargain with Shri G L Bajoria. After much negotiation and explanation, the authorities agreed to the changeover. In this case, the important point to remember is that the transfer did not involve the transfer of a sizable sum to the UK and the consequent expenditure of foreign exchange.

Another important feature of the Kettlewell & Bullen deal has to be emphasised. A few years back. Tatns took an interest in MacNeill & Barry, a rather sizable interest as it involved option to purchase the controlling interest though this was not exercised. After that, Mac Neill & Barrys became interested in Kettlewell & Bullen, and Kilburns and lor a time there were numours that these agencies might become part of a single management with the policies being laid down by MacNeill & Barry. It is not known what made Mac Neill & Barry to sell then shares in Kettlewell & Bullen at a nominal profit to the directors of Kettlewell Bullen, who in then turn sold the shares acquiied in this way at a sizable profit of 80 to 90 per cent. This meant that Bangurs were paying a still price for the transfer. while a good profit was made in a short period by the Kettlewell & Bullen directors. Though this deal is perfectly justified, it is perhaps one of the reasons for the Government's unwillingness to recognise the transfer. They may perhaps be of the view that since Tatas were in Mac Neill & Barry and it is rather difficult to say what the coming years will unfold, there was no need for an urgent change in the management. It should be interesting to watch developments in this regard in the coming years.

Recent developments in the managing agency sphere relating to change ol interests have been Inteiesting. The conversion of managing agencies into public limited companies brought about public participation to a limited extent on a fixed trust basis. The receipt of sizable premiums helped the- erstwhile partners to sell out their interests in effect and keep them intact at the same time. Suffice it to say. the formation of public limited companies was responsible for the amalgamation of Mac Neill & Barry. Martin & Bum, McLcods, and Begg Dunlops and George Henderson and Jardine Skinner, to mention only the outstanding examples. These mergers were inevitable in certain cases anil deliberately organised in others. Mac Neill & Barry were interlinked even before the flotalion of the public limited company of MacNeill & Barry Ltd. Likewise, Martin & Burn were sister concerns even before they were amalgamated into Martin Burn Ltd. The formation of Jardine Henderson and MeLeod in their present form involves, however, the merger of different interests. In the case of MacNcill & Harry, Tatas made their first big entry into the Calcutta field. Later, some interest was acquired by Sir Badridas group in Duncan Brothers and Octivius Steel. Anderson Wright also passed into Indian hands. There are not many big agencies with the. exception of perhaps Andrew Yule and Bird-Heilgers. in which there are no Indian interests. The ultimate effect of this change in the character of the managing agencies, 'both in their ownership and in their form, will have to be closely studied.

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Indian Iron Bullish

THE stock market has remained firm during the week. It is now stated that the Indian Iron & Steel Company Limited can expect an increase in retention prices by at least Rs 65 per ton. llow this figure has been quoted is not Tear but it is apparent that there has been leakage of information, as the recent spurt in the rate of Rs 28-10 from Rs 25-4 would not have been otherwise possible. Even the delay in the actual announcement has not wearied bull operators as the rate is around Rs 28-4 for over a week. In the current year, a higher retention price as well as a higher level of production would be helpful and the dividend of 10 per cent would be more than earned. In fact, it is being argued that there, may be an increase in the dividend though it is too early to say anything in this regard.

What is of the greatest significance is the improved tone of other sections, even jute, latterly. The actual Jesuits of the Bird-Heilgers group discussed elsewhere, have had a tonic effect especially as the Andrew Yule group also has declared satisfying dividends and the return on many shares is considered rather high. There has been some-buying and it is expected that jute shares may be receiving greater attention in the coming weeks.

Among others, engineering shares have remained firm with Jessops at Rs 26-4 and Kumardhubi Engineering at Rs 8-10. Paper shares have again been bought while all the popular counters are steadier. The general sentiment is inclined to be optimistic and it is expected that the budget may not have any restraining effect, though there may be some caution and the rise may not be abrupt until the budget proposals are out of the way. It is learnt that the Industrial Development Corporation may prove to be helpful to the private industrial sector and that the bottleneck in regard to finance may not be so keenly felt as for some time past.

In the gunny market, steady conditions have been noticeable throughout, though sackings have been quieter. There has again been a decline in hessian stocks at the. end of January, by 2,900 tons while sacking has registered a nominal increase of 300 tons. It is a matter for gratification that the current, sacking output is being wholly absorbed though the expectations of the bull operators, that there would be a sizable reduction in stocks with an increase in Australian buying, have not materialised so far.

Company Notes

The Bird-Heilgers Jute Group

IN spite of the incieasing interest in the stock markets and the significant improvement m prices m particular sections, jute shares have not been much favoured. Developments since 1951 have led to the growth of a feeling that the jute industry cannot operate on the same basis as before and that jute shares are not as dependable as they used to be. There was certainly some justification for this feeling till recently as the relationship between the prices of jute and gunnies was not what it should have been, clue to the inflated prices for raw material dining 1947-51 and the levy of relatively prohibitive export. duties subsequently. It is only after September 1953 that, prices have been reasonable and there is no great distortion on account of export duties. The consumption of both hessian and sacking has also tended to increase.

The slump in raw jute prices early last year and the subsequent sharp recovery have had, however, an upsetting effect and it has so happened that jute companies which close their accounts at half-yearly intervals have reported results which are conflicting and confusing. This was bound to be so. since the volume of profits is dependent on sales of jute manufactures and the satisfacloiv stale of jute stocks, satisfactory in the sense that undue fluctuations in prices did not have a damaging effect and adequate supplies were available.

More recently, however, the position was not as discouraging as it is made out to be. Even here, the Jardine-Henderson group upset calculations, as Bally passed the dividend again and there was a surprising reduction in the dividend by Howrah. However, the Bird-Heilgers group, as has been indicated already in these columns, has given room for some encouragement and the dividend declarations are much better than expected. Even the Mat Neill-Barry group, which has come in for considerable criticism recently, has done better and Gourepore resumed the payment of ordinary dividend after the lapse of one year.

If the Bird-Heilgers group results, as shown on p 207, prove to be any guide and if the maintenance of dividends by Orient and Delta in the Andrew Yule, group is also considered an encouraging factor, the question can be asked whether jute shares should continue to be quoted at the present low levels. At Rs 220, Delta is affording a return of over 9 per cent and Orient at Rs 180, nearly 7 per cent. These high yields by themselves should be regarded as discouraging, as not more than 3½ to 4 per cent was available normally on first class jute shares and on the basis of current values not more than 5½ to 6 per cent should be available. This only suggests that the yields do not represent the average over a period and that continued "' good behaviour" will be necessary if prices are to rise significantly.

There, is no reason, however, for continued pessimism. Government is realising that its policy has proved to be harmful to the long-term interests of the industry and that it will not be correct to depend on the revenues from export duties on the same scale as before. The raw material position has improved con-